



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE

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July 23, 2015

TO: Each Supervisor

FROM: Gail Farber *Gail Farber*
Director of Public Works

BOARD MOTION OF JUNE 30, 2015, AGENDA ITEM 7 PUBLIC WORKS TO EVALUATE AND IDENTIFY OPPORTUNITY TO PARTICIPATE WITH THE CITY OF AVALON AND SOUTHERN CALIFORNIA EDISON ON A PROPOSED DESALINATION PLANT

On June 30, 2015, the Board instructed the Department of Public Works to:

1. Identify options for the County to participate in a joint effort with the City of Avalon and Southern California Edison for the proposed new desalination plant.
2. Identify potential funding sources and formal arrangements for County participation, such as cost-sharing agreement, Memorandum of Understanding, or Joint Powers Authority.
3. Report back in 30 days (at the July 28, 2015, Board meeting) on the resources needed to complete a comprehensive evaluation of the water supply system and related activities on Catalina Island with alternatives and recommendations for the Board's review and consideration.

My staff has been working closely with the City, Southern California Edison, Supervisor Don Knabe's staff, and the Chief Executive Office to gather information and assess the situation. Attached is our report.

If you have any questions, please contact me or your staff may contact Gary Hildebrand, at (626) 458-4012 or ghildeb@dpw.lacounty.gov.

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Attach.

**BOARD MOTION OF JUNE 30, 2015, AGENDA ITEM 7
CATALINA ISLAND DESALINATION PLANT**

1. Identify options for the County to participate in a joint effort with the City of Avalon and Southern California Edison for the proposed new desalination plant on Catalina Island.

At their City Council meeting on July 7, 2015, the City Council approved a supplemental funding contribution of \$500,000 toward the estimated \$2,600,000 cost of an additional desalination unit for Southern California Edison's (SCE) Santa Catalina Island water utility. The County may consider General Fund financial assistance.

The County can provide letters to both the City of Avalon and SCE supporting their efforts to obtain grant funding through the State Water Resources Control Board and/or the California Department of Water Resources (DWR).

2. Identify potential funding sources and formal arrangements for County participation, such as cost-sharing agreement, Memorandum of Understanding, or Joint Powers Authority.

Grant opportunities are available for the City and SCE. A summary of these grant opportunities is provided in the attachment.

The General Fund is an eligible source of funds if County participation is recommended. A formal agreement between the County and the City is an appropriate instrument to consummate the financing and respective roles and responsibilities of a cooperative project.

3. Report back in 30 days (at the July 28, 2015, Board meeting) on the resources needed to complete a comprehensive evaluation of the water supply system and related activities on Catalina Island with alternatives and recommendations for the Board's review and consideration.

We estimate that a comprehensive, in-depth evaluation of the water supply system would require a minimum of 2 months for Public Works to canvass the details, such as location of each component of the water system, capacity, hydrology, topography, and the condition of the facilities. Public Works would also need to retain the services of a consultant to evaluate the condition and operation of the existing desalination plant. The cost for this evaluation is estimated to be \$60,000 with the cost to be financed from the General Fund.

Public Works conducted an evaluation of the water system through technical reports, interviews with SCE, and a full day tour of the water facilities. Public Works' water systems engineers have seen the recommendations and implementation plan by SCE and consider them appropriate for the conditions and do not recommend an in-depth evaluation of the water system at this time. Public Works' staff will be available to coordinate future technical review on water and other public works-related issues as requested by the City.

ATTACHMENT

GRANT FUNDING OPPORTUNITIES

Agency: State Water Resources Control Board

Funding Source: Safe Drinking Water State Revolving Fund (DWSRF) and Proposition 1, Water Quality, Supply, and Infrastructure Improvement Act of 2014.

Description: Proposition 1, Chapter 5, Section 79724(a), allocates \$260,000,000 for drinking water grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. In addition, there is \$83,000,000 available under DWSRF for Fiscal Year 2015.

Pros:

- Two funding sources (DWSRF and Proposition 1) are under one program.
- The program includes grants and low interest loans (1.663 percent in 2015).
- Currently accepting applications.

Cons:

- Only public agencies or private nonprofit companies are eligible for grant funding. Private companies can apply for a low interest loan.
- Grants are given only to disadvantaged communities and schools.

Conclusion:

- Since SCE is a private for profit and the community is not disadvantaged, they will not be eligible for grant funding. However, SCE can apply for a low interest loan.

Agency: Department of Water Resources

Funding Source: Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, Proposition 1, Water Quality, Supply, and Infrastructure Improvement Act of 2014.

Description: Chapter 6(a) of Proposition 50 allocated the sum of \$50,000,000 for grants for brackish water and ocean water desalination projects. In addition, Proposition 1, Chapter 9, Section 79765(a), allocates \$725,000,000 for water recycling grants and loans of which \$100,000,000 is allocated to be used specifically for desalination projects.

Pros:

- It is a program specifically designed to fund desalination projects.
- Investor-owned utilities that are regulated by the California Public Utilities Commission and that provide a public benefit have been added to the eligible applicant list.

Cons:

- The program is about to complete the third round applications. DWR is not accepting desalination funding applications at this time. The application period will open in the spring of 2016.
- Application guidelines may change.

Conclusion:

- Since SCE is an investor-owned utility and regulated by the California Public Utilities Commission, they are eligible for funding under this program. However, it is not known when or if DWR will entertain applications for desalination plants.

Agency: Department of Water Resources

Funding Source: Proposition 84, Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, Proposition 1, Water Quality, Supply, and Infrastructure Improvement Act of 2014.

Description: Proposition 1, Chapter 7, Section 79744(a), authorized the appropriation of \$510,000,000 in Integrated Regional Water Management (IRWM) funding for implementation and planning efforts to each hydrologic region of the State. The Los Angeles region will receive \$98,000,000.

Pros:

- This program provides grants with a minimum 25 percent of local match.

Cons:

- IRWM funding applications under Proposition 84, Round 4, are due by August 2015. The Greater Los Angeles Region has already selected a list of projects for this round.

Conclusion:

- Public Works encouraged the City and SCE to submit an application under this round. While we understand that an application was not submitted, Proposition 1 funds for IRWM will be available in later rounds.

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Revised MOTION BY SUPERVISOR DON KNABE

June 30, 2015

Catalina Island is a rare gem, known nationally and internationally as a beautiful Southern California tourist town and island get-away location, 26 miles across the sea. Although Catalina Island is a favored destination for close to one million visitors per year, it is also home to numerous local businesses and to 4,096 permanent residents and working class families, with some of the poorest households in Los Angeles County, Title 1 schools, and a lack of affordable housing. Residents and businesses on Catalina Island have been struggling under Phase 2 (25% mandatory water usage reductions) for many years, and the Island's water crisis is predicted to reach Phase 3 (50% mandatory reduction) by the fall. Southern California Edison (SCE) is the only water utility serving potable water to customers on the Island, in addition to providing the Island's electric and gas utilities, SCE is a longtime partner with the City of Avalon and the County of Los Angeles, and these agencies are important to improving and maintaining the aging infrastructure on Catalina Island.

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Phase 3 water rationing will likely have a devastating impact on the Island's economy. 88 percent of the Island's land area is located within the unincorporated area of Los Angeles County. Much of this area (known as the Interior) is within an open space easement granted to the County and administered by the Catalina Island Conservancy. The Interior is open to the public for visitors and for recreational purposes throughout each year, including many youth camps and educational programs with ties to the mainland. Under Phase 2 water rationing, SCE customers have achieved an estimated 33 percent reduction, however additional conservation beyond what is currently being done will be difficult, with many businesses such as the hotels and camps facing a reduction in availability, which would have a trickle-down effect on both the local and regional economy. It is in the County's interest to work with the City of Avalon and SCE to ensure a more sustainable and promising water-related future.

Catalina Island's desalination plant, built in 1991, is a SCE facility located at Pebbly Beach in the City of Avalon. The desalination plant at the Pebbly Beach Generating Station provides 25-30 percent of the Island's water supply. SCE and the City of Avalon are working together on an additional second desalination unit at the SCE Pebbly Beach facility, with output capacity of approximately 150,000 to 200,000 additional gallons of freshwater per day – twice Avalon's required off-peak water demand. If the second desalination unit is on-line by the fall, this may stave off Phase 3 water rationing.

I, THEREFORE, MOVE that the Board of Supervisors instruct the Director of Public Works to report back at the July 7, 2015 Board meeting on the following:

1. Identify options for the County to participate in a joint effort with the City of Avalon and SCE for the proposed new desalination plant on Catalina Island;
2. Identify potential funding sources and formal arrangements for County participation, such as a cost-sharing agreement, MOU, or JPA;
3. Report back in 30 days (at the July 28, 2015 Board meeting) on the resources needed to complete an ~~independent~~, comprehensive evaluation of the water supply system and related activities on Catalina Island with alternatives and recommendations for the Board's review and consideration.

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